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THE FEDERAL RESERVE BANK OF CHICAGO

AGRICULTURAL LETTER

May 8, 1947

Hearings by the House Agricultural Committee on matters of national agricultural policies and programs have brought forth no major conflicts or controversies. The hearings, which began April 21, have included testimony by Secretary Anderson and the leaders of all major farmers organizations. The Secretary called for "organized, sustained and realistic abundance," and called for a policy of sustained consumption through surplus food distribution.

Ed O'Neal of the Farm Bureau in general endorsed these views, but placed emphasis on retaining the farm program already worked out over several years, including AAA production control, saying that machinery for adjusting supplies to demand should be retained and strengthened.

John Davis of the Coop. Council advocated a "new sense of direction towards an economy of abundance within our free enterprise economy," but more specifically underscored more efficient production and better farm family living as objectives of policy.

Albert Goss of the Grange called for a system of flexible price supports giving farmers fair prices without bringing overproduction. He opposed crop controls as ineffective, and because they involve "distasteful regimentation." All four of these leaders advocated revising or modernizing the calculation of parity prices, but generally left details or methods for later discussions.

A somewhat different approach was taken by James Patton of Farmers Union, who suggested as a major object of policy that the "family farm" be strengthened by Government purchase of larger farms and subdivision into family-size parcels, and purchase of unprofitable smaller farms and consolidation of them.

Various executive departments are feeling the axe as Congress attempts to pare expenditures. When the Department of Agriculture appropriation is reported out, it probably will also show some scars of deep cuts. One of the most heated behind-scenes battles over "pet" projects involves school lunch programs. Dairy farmer representatives are pushing for increased funds for this program, not only as an outlet for dairy products but also because of its value as an educational device for improving nutrition and demand.

In spite of increases in the prices of corn and some other commodities, U.S. farm prices declined about $1\frac{1}{2}$ per cent from mid-March to mid-April, due to declines in meat animals, dairy products, and food grains. Meanwhile, prices paid by farmers rose, putting prices received down to only 20 per cent above parity as compared with 23 per cent for March. USDA attributed the April weakening of dairy markets, (especially cheese prices) to increasing production, partly seasonal, and the failure of consumption demand to absorb the increases.

Government announces it will support 1947 crop turkeys October through January at 90 per cent of September 15, 1947 parity price, with differentials for weight, grade, and location. USDA says its specialists see little change in the farm prices of eggs, chickens, and turkeys until after June. After that, smaller supplies than last year may bring higher prices unless recession, unemployment, and lower incomes reduce demand. But more ample meat supplies are seen also as a possible weakening factor.

Cattle slaughter this year may set a new record, according to USDA. First quarter kill was 29 per cent above last year and a record high for the quarter. On top of this more than average numbers of cattle are on feed for market, and this is seen as continuing through early summer.

Small to sharp reductions in 1947 crops are anticipated by USDA for tomatoes, cabbage for kraut, beets, and cucumbers.

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